

SUMMARY OF MAG ITEM

Order

- The Order increases the caps on subscriber line charges (SLCs) to the levels paid by most subscribers nationwide. The residential and single-line business SLC cap will increase to \$5.00 on January 1, 2002, and may increase up to \$6.00 on July 1, 2002, and \$6.50 on July 1, 2003, subject to a cost review study for the SLC caps of price cap carriers. The multi-line business SLC cap will increase to \$9.20 on January 1, 2002. Lifeline support will be increased in an amount equal to any SLC rate increases for low-income subscribers.
- The Order allows limited SLC deaveraging, which will enhance the competitiveness of rate-of-return carriers by giving them important pricing flexibility. The SLC deaveraging method is consistent with the Rural Task Force universal service support disaggregation scheme.
- The Order reforms the local switching and transport rate structure. In particular, it shifts the non-traffic sensitive costs of local switch line ports to the common line category, and reallocates the remaining costs contained in the Transport Interconnection Charge to other access rate elements. These measures align the rate structure more closely with the manner in which costs are incurred and reduce per-minute switched access charges.
- The Order creates a new universal service support mechanism, Interstate Common Line Support, to convert implicit support in the rate structure to explicit support that is available to all eligible telecommunications carriers. Specifically, Interstate Common Line Support will replace the carrier common line (CCL), which will be phased out as of July 1, 2003, when SLC caps reach their maximum levels. The new support mechanism will ensure that changes in the rate structure do not affect the overall recovery of interstate access costs by rate-of-return carriers serving high-cost areas.
- The Order does not adopt proposals to prescribe a single, target rate for per-minute charges, either on an optional or a mandatory basis. The reforms adopted in the Order will reduce per-minute charges for all rate-of-return carriers, while giving them the flexibility to establish rates based on their own costs in the areas they serve.
- The Order streamlines the rules for introduction of new access services by rate-of-return carriers.
- The Order terminates the proceeding on the represcription of the authorized rate-of-return, which was set at 11.25 percent in 1990.
- The Order does not adopt MAG proposals to impose new requirements on interexchange carriers. The Order concludes that the proposed requirements are unnecessary, inconsistent with the Commission's deregulatory approach to the interexchange services market, and would entail undue administrative costs and burdens.

Further Notice of Proposed Rulemaking

- The Further Notice seeks additional comment on the MAG incentive plan and how it might be modified to provide incentives for cost efficiency gains that will benefit consumers through lower rates and improved services. The Further Notice also requests further comment on the MAG's proposed changes to the "all-or-nothing rule," on additional pricing flexibility measures, and on the continued need for the Long Term Support mechanism in light of the reforms adopted in the Order.